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Editorial

As he laid out his latest fiscal stimulus proposals yesterday, President Obama stressed that the main goal is to encourage the growth of the small businesses that create most new American jobs. House Democrats apparently have other priorities.

As early as today, Pennsylvania Democrat Paul Kanjorski plans to introduce an amendment that would apply the most onerous Sarbanes-Oxley regulations to the smallest public companies. Supported by House Financial Services Chairman Barney Frank, this amendment to the financial re-regulation bill now moving through the House would inflict millions of dollars in compliance costs upon thousands of companies.

Mr. Kanjorski aims to eliminate a bipartisan provision crafted by Representatives Scott Garrett (R., N.J.) and John Adler (D., N.J.). Last month, the Jersey boys won a vote in Mr. Frank's own committee to exempt small public companies from Sarbox's infamous Section 404(b) internal controls audits. An SEC exemption for companies with less than \$75 million in market value will expire in June unless Congress votes relief.

Those companies will still be audited, of course. But Sarbox would subject them to the double whammy that big companies have had to live with at enormous expense-and with no noticeable decline in business fraud. Unable to stop regulatory relief in his own committee, Mr. Frank now believes he can rally enough Democrats to kill it on the floor.

Yesterday, Mr. Obama reminded his audience at the Brookings Institution that small businesses are the "companies that drive innovation, producing 13 times more patents per employee than large companies. And it's worth remembering, every once in a while a small business becomes a big business-and changes the world." However, this is happening less and less frequently, due in no small measure to Sarbox.

Securities and Exchange Commission data show that Sarbox discourages companies from listing their shares on America's stock exchanges. When young companies aren't tapping the public equity markets, their growth opportunities are curtailed, dreams go unfulfilled, and jobs are not created. The market data firm Dealogic has found that even though financial markets have rebounded this year, initial public offerings in the United States are on track to fall below even the levels of the dot-com bust of 2001-2003.

We disagree with Mr. Obama on the best way to encourage the growth of small business and jobs. But at least we seem to agree that such growth is critical to U.S. economic success. If he means it, he'll ask House Democrats to let Sarbox relief stand.